

**2008 Nonresident Reduced Withholding Request****589****Part I Vendor/Payee**

Name of Vendor/Payee		Vendor/Payee fax number ( )	<input type="checkbox"/> SSN or ITIN
Address (including suite, room, PO Box, or PMB no.)		<input type="checkbox"/> FEIN <input type="checkbox"/> CA Corp no.	
City	State	ZIP Code	Country

**Part II Withholding Agent**

Name of Withholding Agent		Withholding Agent fax number ( )	<input type="checkbox"/> SSN or ITIN
Address (including suite, room, PO Box, or PMB no.)		<input type="checkbox"/> FEIN <input type="checkbox"/> CA Corp no.	
City	State	ZIP Code	Daytime telephone number ( )

**Part III Tax Withheld**

Type of Income: Check one type only.

- ☐ 1. Payment to Independent Contractor (I/C)      ☐ 4. Rents or Royalties      ☐ 6. Estate Distributions  
☐ 2. Payment to I/C Entertainers/Athletes/Speakers      ☐ 5. Distributions to Domestic Nonresident S Corporation Shareholders/Partners/Members/Beneficiaries      ☐ 7. Other \_\_\_\_\_  
☐ 3. Trust Distributions
- Date(s) of Service MM/DD/YYYY - MM/DD/YYYY

**1 Gross California Source Payment** ..... • **1** \_\_\_\_\_**Expenses:**

- 2 Advertising** ..... **2** \_\_\_\_\_  
**3 Commissions and fees** ..... **3** \_\_\_\_\_  
**4 Cost of labor (contract labor)** ..... **4** \_\_\_\_\_  
**5 Insurance** ..... **5** \_\_\_\_\_  
**6 Legal, professional, and/or management fees** ..... **6** \_\_\_\_\_  
**7 Rent or lease** ..... **7** \_\_\_\_\_  
**8 Supplies** ..... **8** \_\_\_\_\_  
**9 Travel, meals, and entertainment** ..... **9** \_\_\_\_\_

**Other Expenses (specify)**

- 10** ..... **10** \_\_\_\_\_  
**11** ..... **11** \_\_\_\_\_  
**12** ..... **12** \_\_\_\_\_  
**13** ..... **13** \_\_\_\_\_

**14 Total amount of expenses.** Add line 2 through 13 and enter the amount here. .... • **14** \_\_\_\_\_**15 Net California Source Payment.** Subtract line 14 from line 1 and enter the amount here.This is your total amount subject to CA withholding. .... **15** \_\_\_\_\_

**16 Withholding Amount.** Multiply the amount on line 15 by seven percent (.07) and enter the amount on line 16. This is the proposed reduced withholding amount. This amount must be verified and approved by the Franchise Tax Board prior to the requestor receiving payment for services ..... **16** \_\_\_\_\_

Submit requests to: WITHHOLDING SERVICES AND COMPLIANCE, FRANCHISE TAX BOARD, PO BOX 942867, SACRAMENTO CA 94267-0651  
 Or, FAX the request to the FTB at (916) 845-9512.

**Part IV Vendor's/Payee's Signature**

Under penalties of perjury, I hereby certify that the information provided is, to the best of my knowledge, true and correct. I understand that the Franchise Tax Board may review all relevant documentation upon request in order to verify the payment amount and expenses above. This form is a request for a reduced withholding amount and does not guarantee the requestor the reduced withholding amount unless approved by the Franchise Tax Board in writing. If this request is approved and I subsequently receive payment exceeding the amount on line 1, I understand that the withholding agent will withhold seven percent of any payment amount in excess of the amount on line 1.

Vendor's/Payee's Name (type or print) \_\_\_\_\_ Phone Number: ( ) \_\_\_\_\_

Vendor's/Payee's Signature \_\_\_\_\_ Date: \_\_\_\_\_

Preparer's Name \_\_\_\_\_ Phone Number: ( ) \_\_\_\_\_

Preparer's Signature \_\_\_\_\_ Date: \_\_\_\_\_

# Instructions for Form 589

## Nonresident Reduced Withholding Request

### General Information

#### What's New

Beginning January 1, 2008:

- Domestic nonresidents may request a reduction in the standard seven percent withholding amount that is applicable to California source payments made to nonresidents.
- Tax withheld on California source payments to domestic nonresidents is remitted to the Franchise Tax Board (FTB) on a quarterly basis (similar to estimate tax payments). For more information, see the new Form 592, Quarterly Nonresident Withholding Statement.

#### Round Cents To Dollars

Beginning with the 2007 tax forms, round cents to the nearest whole dollar. For example, round \$50.50 up to \$51 or round \$25.49 down to \$25. If you do not round, the FTB will disregard the cents. This change helps process your returns quickly and accurately.

#### Purpose

California Revenue and Taxation Code (R&TC) Section 18662 and corresponding regulations require seven percent to be withheld on California source payments made to nonresidents. However, if a domestic nonresident taxpayer can show that the seven percent rate of withholding will result in excessive withholding, the nonresident may apply for a reduction in the amount to be withheld using Form 589, Nonresident Reduced Withholding Request.

Do not use Form 589 to request a reduced withholding amount if you are a:

- Foreign (non-U.S.) partner or member. There are no provisions in the California R&TC to waive or reduce withholding for foreign partners or members.
- Seller of California real estate. Sellers of California real estate should use Form 593-C, Real Estate Withholding Certificate.

Form 589 does not apply to payments for wages to employees. Wage withholding is administered by the California Employment Development Department (EDD). For more information contact EDD customer service at (888) 745-3886 or go to their Website at [www.edd.ca.gov](http://www.edd.ca.gov).

For California withholding purposes only, a reference in these instructions to:

- "Nonresident" includes individuals who are not residents of California, corporations not qualified through the California Secretary of State to do business in California or having no permanent place of business in California, partnerships or limited liability

companies (LLCs) with no permanent place of business in California, any trust without a resident grantor, beneficiary, or trustee, or estates where the decedent was not a California resident.

- "Foreign" refers to non-U.S.

#### When and Where to File

The vendor/payee must submit Form 589 to the FTB before receiving payment for services. Form 589 is a request for a reduced withholding amount and does not guarantee the domestic nonresident vendor/payee a reduction in withholding unless approved by the FTB prior to the payment for services being performed. Allow 10 business days for processing. Submit requests to:

WITHHOLDING SERVICES AND  
COMPLIANCE  
FRANCHISE TAX BOARD  
PO BOX 942867  
SACRAMENTO CA 94267-0651  
FAX: (916) 845-9512

In an effort to accommodate requests as timely as possible, requests for reduced withholding amounts should be faxed to us at least 10 business days prior to payment for the services performed. If requests are received less than 10 business days prior to the payment for services performed, seven percent withholding may be required.

#### Processing

Upon receipt of the completed and signed Form 589, the FTB will review the request for a reduced withholding amount. The FTB may request to review all relevant documentation including, but not limited to, receipts and contracts, in order to verify the payment and expense amounts. Upon reviewing the request and supporting documentation, the FTB will make a determination of how much withholding is appropriate for the services performed. Upon making a determination, the FTB will provide a notice to the vendor/payee and the withholding agent with the approved amount to be withheld on the payment outlined on Form 589. The withholding agent will be instructed to withhold the approved amount and remit to the FTB with their next Form 592. In addition, the withholding agent will be instructed to withhold and remit seven percent of any payment made to the vendor/payee in excess of the gross California source payment amount on reported on Form 589.

#### Specific Instructions

**Year** – Make sure the year in the upper left corner of Form 589 represents the calendar year for which the services are being performed.

#### Part I

**Vendor/Payee** – Enter the identification number, name, and address for the vendor/payee who will be performing the services. Include the Private Mail Box (PMB) in the address field. Write the acronym "PMB" first, then the box number. Example: 111 Main Street PMB 123.

#### Part II

**Withholding Agent** – Enter the withholding agent's name, identification number, and address. The withholding agent is the party that will be providing payment to the vendor/payee for services performed. Include the Private Mail Box (PMB) in the address field. Write the acronym "PMB" first, then the box number. Example: 111 Main Street PMB 123.

#### Part III

**Type of Income Subject to Withholding** – Check the box that reflects the type of payment that will be received for services performed on the date(s) specified.

**Date(s) of Service** – Enter the date(s) the services are being performed. The dates of service should reflect the same taxable year as shown in the upper left corner of Form 589.

**Line 1** – Enter the total gross California source payment the vendor/payee expects to receive for performing services. If the vendor/payee and withholding agent have entered into a contract for services, this amount should match the proposed total agreed upon payment.

**Expenses** – The vendor/payee should enter any relevant expenses on lines 2-13 that will be incurred or paid by the vendor/payee for performing the services in California. The FTB may verify the expenses by requesting supporting documentation. Payments the vendor/payee makes to nonresident third parties may meet the requirements for withholding and remitting seven percent of the payment to the FTB.

#### Line 2 – Advertising

Enter any advertising expenses that are directly related to the date(s) of the services performed.

#### Line 3 – Commissions and Fees

Enter any commissions and fees paid that are directly related to the date(s) of the services performed.

#### Line 4 – Cost of Labor (Contract Labor)

Enter the total cost of labor for the date(s) of services performed. **Do not** include salaries and wages paid to your employees.

#### Line 5 – Insurance

Enter the premiums paid for business insurance related to the date(s) of services performed. **Do not** enter amounts credited to a

reserve for self-insurance or premiums paid for a policy that pays for the lost earnings due to sickness or disability.

**Line 6 – Legal, Professional, and/or Management Fees**

Enter the fees paid for legal, professional, and/or management advice related to the date(s) of the services performed.

**Line 7 – Rent or Lease**

Enter the amount paid to rent or lease vehicles, machinery, equipment, or other property, such as office space that is related to the date(s) of the services performed.

**Line 8 – Supplies**

Enter the cost of supplies consumed and used during the date(s) of the services performed.

**Line 9 – Travel, Meals, and Entertainment**

Enter the expenses for lodging and transportation connected with overnight travel away from your tax home that is directly related to the date(s) of the services performed. Enter only the deductible portion of the business meal and entertainment expenses that are directly related to the date(s) of the services performed.

**Line 10 - Line 13 – Other Expenses (specify)**

Enter other expenses, costs, or special circumstances that justify reduced withholding, including all ordinary and necessary business expenses not deducted elsewhere on Form 589. List the type and amount of each expense separately in the space provided.

**Do not** include the expenses paid or incurred by a third party, such as a booking agent or performance venue. **Do not** include the cost of business equipment or furniture, replacements or permanent improvements to property, or personal, living, and family expenses. **Do not** include charitable contributions. In addition, you cannot deduct fines or penalties paid to a city, county, or state government agency for

violating any law. If additional space is needed, attach a separate schedule that lists the type and amount of each expense.

**Line 14 – Total Amount of Expenses**

Add lines 2 through 13. This is the total amount of expenses the vendor/payee incurred or paid for the date(s) of the services performed.

**Line 15 – Net California Source Payment**

Subtract line 14 from line 1. This is the net California source payment after the vendor/payee subtracts all expenses. This is the amount subject to seven percent withholding.

**Line 16 – Withholding Amount**

Multiply the amount on line 15 by seven percent (.07). This is the total reduced amount of tax the vendor/payee is requesting to be withheld. This is the proposed reduced withholding amount. This amount must be verified and approved by the FTB prior to the vendor/payee receiving payment for services.

**Part IV**

Complete the vendor's/payee's and preparer's information.

**Additional Information**

For additional information or to speak to a representative regarding this form, call Withholding Services and Compliance automated telephone service at: **(888) 792-4900** (toll-free) or **(916) 845-4900**.

OR write to:

WITHHOLDING SERVICES AND  
COMPLIANCE  
FRANCHISE TAX BOARD  
PO BOX 942867  
SACRAMENTO CA 94267-0651

For information on requirements to file a California tax return or to get forms, call:

From within the  
United States . . . . . (800) 852-5711  
From outside the  
United States . . . . . (916) 845-6500  
(not toll-free)

You can download, view, and print California tax forms and publications from our Website at **www.ftb.ca.gov**.

OR to get forms by mail write to:

TAX FORMS REQUEST UNIT  
FRANCHISE TAX BOARD  
PO BOX 307  
RANCHO CORDOVA CA 95741-0307

**Assistance for Persons with Disabilities**

We comply with the Americans with Disabilities Act. Persons with hearing or speech impairments please call:

TTY/TDD . . . . . (800) 822-6268

**Asistencia Telefonica y en el Internet**

Dentro de los Estados Unidos,  
llame al . . . . . (800) 852-5711

Fuera de los Estados  
Unidos, llame al . . . . . (916) 845-6500  
(cargos aplican)

Sitio en el Internet: **www.ftb.ca.gov**

**Asistencia para personas discapacitadas**

Nosotros estamos en conformidad con el Acta de Americanos Discapacitados. Personas con problemas auditivos o de habla pueden llamar al TTY/TDD (800) 822-6268.